



Truth and Transformation

By: Hon. David M. Walker, Founder and CEO of the Comeback America Initiative
and Former Comptroller General of the United States (1998-2008)

National Press Club
September 17, 2013
Washington, D.C.

Thank you all for coming today. September is always a busy month in Washington, and especially this September, so I appreciate all of you taking time out of your busy schedules. If you're a baseball fan like me, you're also thinking of the pennant races that are now in full swing. Luckily, my Braves and Red Sox are looking pretty good. As for the Nationals – well, there's always next year.

As much as I love baseball, I recognize it is still just a game. But what is happening in Washington this September is anything but a game. It's a real shame. Washington has not only become dysfunctional, elected officials are not acting in accordance with our founders' intent in critical areas such as the role of the federal government, states' rights, our nation's finances, and a range of other matters. Washington has grown out of touch and out of control, especially with regards to fiscal matters.

It is with that in mind that we are here today to release the Comeback America Initiative's new, and final, report: *America's Deciding Game: Winning the Future*. [See Attachment A] My remarks today will include some comments based upon its contents. I encourage you to read the entire report and share it with others. You will notice that we use the baseball analogy throughout the report and for a simple reason: the stakes may be far different, but the importance of restoring fiscal sanity and winning this last game in what the report refers to as the Fiscal Future Series cannot be overstated. To put it bluntly, we can't afford anything but a clear and decisive win in this series.

There's another good reason that I wanted to release this report here at the National Press Club, on this particular day.

Ten years ago today I was in this building, giving a nationally broadcast speech entitled "*Truth and Transparency*." I was Comptroller General of the United States and head of the GAO at the time, and the speech was unprecedented for a Comptroller General. I spoke the truth, provided needed transparency, and noted that Washington policy makers were out-of-control with regard to federal fiscal matters.

Frankly, I thought it would be not only irresponsible, but unpatriotic, to remain silent in the face of the fiscal facts that existed at that time. As you probably recall, 2003 was the year we had a second round of tax cuts that, unlike the first round in 2001, were debt financed. The United States also invaded Iraq in 2003, based on flawed intelligence and without declaring war, while charging the cost to the nation's credit card. In addition,

Congress passed, and President Bush signed, a prescription drug benefit for Medicare that added over \$8 trillion in new unfunded promises when Medicare was already underfunded by about \$20 trillion! In my view, calendar 2003 was arguably the most fiscally irresponsible year in America's history.

The years since then have only multiplied our nation's indebtedness, putting the American Dream at risk for today's young people and future generations. I find this callous disregard for those who will inherit our finances to be irresponsible, unethical, and immoral. And as a father and grandfather, I take it personally.

As a result, I have devoted the last ten years of my life to the cause of fiscal responsibility, and over that time I have worn many hats, including U.S. Comptroller General; CEO of the Peter G. Peterson Foundation; Founder and CEO of the Comeback America Initiative (CAI); a national co-founder of No Labels; a member of the Board of Directors for the Committee for Responsible Federal Budget, and the Center for the Study of the Presidency and the Congress; and Chairman of the Government Transformation Initiative. In all these roles, I have endeavored to speak the truth, bring people together, and promote sensible, non-partisan solutions to our nation's fiscal challenges that have the potential to gain bipartisan support. I have traveled over a million miles to all 50 states and a number of countries in an effort to educate and engage the public, while providing advice and counsel to many elected officials irrespective of their party affiliation.

Which leads to my second reason for holding today's event. As I mentioned earlier, today we are issuing CAI's final report and some related YouTube videos. You can find both the report and the videos on our website: www.KeepingAmericaGreat.org. In the coming weeks we will be winding down operations. After 10 years and too much traveling I've decided to stop devoting my full-time attention to the causes of fiscal responsibility and government transformation. I am doing so to meet a longstanding commitment to my wife, Mary, and to seek a better balance between work and family. I won't be retiring, and I need to decide what to do in my next phase of life. However, for the first time in my life, I'm going to take off more than a weekend for this career transition.

Returning to fiscal matters, I certainly realize that our current prospects of winning the Fiscal Future Series are fragile. Frankly, I am among those who are not optimistic that a fiscal "grand bargain" will be reached this year. With a Congressional election year coming up, and a Presidential election after that, legislators may again try to avoid tough choices and put off a grand bargain until 2017, absent a market forcing event.

We cannot let this happen. Instead, we need to understand where we've been and what we've done, and then focus our energies on the bold steps we need to take in the months and years ahead to defuse our ticking debt bomb. So in this speech, I will reflect on what I've learned over the last 10 years of full-time dedication to the cause of fiscal responsibility and government transformation. My comments are based on my many experiences with key policy makers and my unparalleled interaction with everyday Americans from all over this great nation. They are also informed by four major publications that CAI has issued during its 3-year life—namely, CAI's *Restoring Fiscal Sanity* report (2011), the summary of CAI's national *\$10 Million a Minute Tour* (2012), the *Connecticut at Risk* report (2013), and the new *America's Deciding Game* report (2013) that is being released today.

Let me first highlight what I believe to be a few hard truths about where we are:

First, America has strayed from many of the principles and values that made our country great, and some of the key concepts embedded in the Preamble of the U.S. Constitution. Both as a nation and as a society, we have somewhat lost our way. Among other things, the federal government and many state and local governments have grown too big, promised too much, and are in need of transformational reform.

Our nation was founded on certain timeless principles and values. These include individual liberty and opportunity, personal responsibility and accountability, the rule of law and equal justice under the law, fiscal responsibility and inter-generational equity, and last but not least, stewardship. Specifically, we have a responsibility to serve as stewards for "*our posterity*;" to leave our country both better off and better

positioned for future generations. The truth is, we have strayed from these principles and values, and we must return to them if we want to fulfill our obligation to provide for a better future as past generations have done for us.

A second hard truth: Despite some progress in recent years, we are much worse off today from a fiscal perspective than we were 10 years ago. As noted in CAI's *America's Deciding Game* report, the federal debt has tripled, and total federal liabilities and unfunded obligations have more than tripled during that past 10 years. During this period, the federal government has grown larger as a percentage of the economy, made more unfunded promises, and allowed the portion of the federal budget that is controlled and dedicated to investment rather than consumption to decline further. Consequently, during the past 10 years, arguably the most important fiscal measure, public debt as a percent of GDP more than doubled from 36 percent to over 73 percent today. Our long-term outlook is also much worse today than 10 years ago. [See Attachment B]

The basic budgeting and appropriations process is also broken. Believe it or not, to add insult to injury, the federal government is over 11 times larger as a percentage of GDP than 100 years ago. During that same period, Congress has gone from controlling 97 percent of federal spending to 34 percent and declining. In addition the Congress and the President have only been able to work together to pass a timely budget and appropriations bill four times in the past 62 years! And absent a miracle, it won't happen this year either! This is simply unacceptable; however, it won't change unless there are clear and concrete consequences for failing to act.

It's important to understand that, while Washington is focused on the current day debate, our real fiscal challenge is not about where we've been or where we are today. It's about where we are headed absent a fundamental change in course.

While some actions have been taken within the past year to reduce the deficit, largely by cutting discretionary spending and taxing "the wealthy," many of those actions have not been intelligently designed. In addition, to-date, federal policy makers have failed to adequately address the three key drivers of our fiscal cancer: social insurance programs, health care costs, and our outdated tax system.

A third hard truth: The United States currently has a republic that is neither representative of nor responsive to the general public. This is, in part, due to the fact that the biggest deficit that we face in our federal government today is a leadership deficit. Presidents Obama and Bush (43) have not provided adequate leadership when dealing with fiscal matters. Over the past 10 years, the bipartisan leaders in Congress haven't been much help either.

While our fiscal situation is very serious, and Washington has become dysfunctional absent a crisis, what my experience over the last 10 years has taught me more than anything is that it's not too late to change course. We can still fix this problem, and achieve a better future. But it is going to take some new strategies, real transformation, and genuine leadership.

There is one major positive in today's report. Public awareness and concern regarding deficits and debt have increased dramatically since 2003. [See Attachment C] In addition, policy makers in Washington are focusing much more on these issues, even though they have been ineffective at addressing the structural drivers that must be addressed. Most importantly, efforts by CAI have shown that, when provided with the truth and whole truth about our Nation's financial condition and fiscal outlook, the people get it.

A vast majority of Americans know that you can't spend a lot more than you make, charge the difference to the Nation's credit card, self-deal in your own debt, and rely on abnormally low and "teaser" interest rates, without facing a day of reckoning at some point. In addition, most Americans are willing to support a number of structural reforms that meet a set of key principles.

If the American people are so with it, then what is the problem?

From a fiscal perspective, federal policy makers and some prominent economists have a false sense of security about our current financial position. Part of the reason for this is their failure to understand some basic concepts. For example, annual deficits in excess of \$600 billion are a problem. More importantly, we are scheduled to return to \$1 trillion plus annual deficits in 10 years without a change in course. Despite assertions by some to the contrary, Social Security is adding to our Nation's deficits and needs to be reformed. We have already significantly overpromised on health care, and yet, the *Affordable Care Act* made even more promises. In addition, while health care is our largest program challenge, the federal government's fastest growing expense is interest, for which we get nothing in return.

From a monetary policy perspective, the Fed's loose money policy also involves self-dealing in U.S. debt in order to artificially hold down interest rates and help the economy in the short-term. However, this approach cannot be sustained over the long-term. The truth is, we are abusing the fact that the U.S. dollar is a global reserve currency. However, realistically, the President and Congress need to make real progress on the fiscal front in order to enable the Federal Reserve to reduce its position in U.S. government debt in a manner that will not result in serious economic disruption.

From a political perspective, the state of affairs in Washington has become a national and international embarrassment. Elected officials are gridlocked on a number of important issues and if they were paid for performance, they would owe us money!

In recent years, it has been truly disappointing to see how poorly informed and fragmented the debate over a much needed and long-overdue grand bargain has been among partisans and ideologues, as well as within the press and the media. Frankly, I'm tired of hearing the "more stimulus versus more austerity" arguments. In reality, we need additional short-term investment to enhance economic growth, generate more jobs, and improve our critical infrastructure. At the same time, unlike much of the 2009 stimulus, any additional infrastructure and other investments should be properly designed and effectively implemented. Furthermore, for prudence and political feasibility reasons, any additional investments should be coupled with clear, credible and enforceable actions designed to reduce public debt as a percent of GDP to no more than 60 percent within 10-15 years. The related actions should also be designed to help ensure that, absent a declared war, debt as a percent of GDP will not rise above that level over time.

The truth is, too many Democrats and liberals are in denial that we must reform social insurance programs to make them solvent, sustainable and secure. Too many Republicans and conservatives don't acknowledge that given known demographic trends and rising health care costs, comprehensive federal tax reform will need to generate revenues above current and historical levels of the economy (GDP). The leaders of both major parties in Congress pay too much attention to the extreme factions of their political base rather than the desires of a significant majority of "We the People." In addition, both sides seem to not be very proficient at math.

As I alluded to earlier, CAI was able to achieve 92 percent agreement on six key principles to guide a fiscal grand bargain. They include: economic growth, socially equitable, culturally acceptable, mathematically accurate, politically feasible, and meaningful bipartisan support. You can find out more about these key principles and the results of our related citizen engagement efforts in the *America's Deciding Game* report.

As today's new CAI report states, when it comes to fiscal matters, we need to pursue a comprehensive and integrated strategy in order to achieve a real victory in the Fiscal Future Series. Within the context of this strategy:

- We need to set a realistic fiscal objective for 2013. While it would be great if we could achieve a substantive and detailed grand bargain in 2013, which would be implemented over time, based on the current state of political affairs, it does not seem likely. Rather, a short-term continuing resolution seems far more probable. While the Nation's debt ceiling must be raised and should not be held hostage to any

particular reform issue, additional fiscal actions are also needed and could be achieved as part of a funding agreement for fiscal 2014. Therefore, at a minimum, Congress and the President should work together to replace the mindless, across-the-board sequester with agreed-upon mandatory and discretionary spending cuts for at least the next two years. Targets for additional spending reductions through social insurance reforms and additional revenues through comprehensive tax reform should also be set with the relevant Congressional committees charged with coming up with related legislation by a specified date. In addition, Congress should enact certain process reforms that will facilitate more timely and informed actions in the future. These could include such steps as enacting biennial budgeting, a substantive No Budget/No Pay bill, the INFORM Act to improve inter-generational accounting disclosures, and a Government Transformation Commission to help improve the economy, efficiency, effectiveness and credibility of the federal government - both in reality and in the eyes of the American people. Don't forget, in a recent poll, Congress was rated in the single digit percentile range! You can't get much lower than that. [See Attachment D]

- It's also time to change the way the federal government keeps score. We must move beyond annual deficits and 10-year baselines to consider the nation's total liabilities and unfunded promises over much longer time horizons. The federal government's burden is multiple times the amount shown on the National Debt Clock. A more comprehensive figure is the one displayed on the U.S. Financial Burden Barometer you saw when you entered the room today. Correspondingly, it is important to note that even when a fiscal grand bargain is ultimately achieved, the National Debt Clock figure will not go down one dollar. Yet, the amount shown on the U.S. Financial Burden Barometer could go down tens of trillions of dollars even if the changes are phased-in over many years, due to the power of compounding. We should also classify the federal government's debt obligations in the so-called "trust funds" as what they are: liabilities of the federal government. In addition, we should provide more transparency in connection with the inter-generational implications of failing to put our nation's finances in order. It's time to put a stop to the irresponsible, unethical and immoral mortgaging of our children's and grandchildren's futures.
- We need to broaden the fiscal message to include state and local financial challenges. It has become clear that all levels of government have certain common challenges. Namely, unfunded retirement obligations; escalating health care costs; outdated tax systems; and too much spending on consumption and not enough on investment. Also, it is clear that bad news flows downhill and that more needs to be done to help address these common challenges in a more coordinated and integrated fashion. Now that Detroit has declared bankruptcy, people are coming to realize what I and others have been saying for a long time - many other cities and many states also need to restructure their finances. They will need to act sooner than the federal government because, unlike the federal government, they can't print money and their credit ratings are at risk. In that regard, when I moved to Bridgeport, Connecticut, I didn't realize that I was moving to "Ground Zero" of fiscal irresponsibility in America. As a result, CAI studied the state and local fiscal challenges of Connecticut and Bridgeport, respectively, and we outlined a number of approaches to help address them. Unfortunately, The Institute of Truth and Accounting's recently released ranking of the financial condition of states in 2012 again shows Connecticut in last place. In addition, while Bridgeport is not as bad as Detroit, it has three times the amount of liabilities and unfunded obligations per person as Stockton, CA—which, as you know, filed for bankruptcy last year.
- We need to employ new fiscal mobilization strategies both inside and outside of Washington's Beltway. During the past 10 years, many new players have emerged on the fiscal playing field. They have joined the fight to supplement the long-standing efforts of the Committee for a Responsible Federal Budget and the Concord Coalition. These new players include: the Comeback America Initiative, The Can Kicks Back, The Campaign to Fix the Debt, the Peter G. Peterson Foundation, the Institute for Truth in Accounting, and the Government Transformation Initiative. As a result, there are currently many different organizations pursuing similar goals. Clearly, these organizations need to work in a more integrated fashion than they have in the past if they want to maximize their efficiency and effectiveness. In addition, new groups like No Labels, and others that are in the formative phases of development need to join the fight and bring additional people together to achieve a range of broader economic and political reforms

at all levels of government. In this regard, I must commend No Labels for its efforts to form the 80-plus bipartisan Problem Solvers group of members in Congress and for their latest “Make Government Work” initiative.

- We need to build upon successful public engagement models. President Obama should learn from the citizen education and engagement strategies employed by former President Bill Clinton, who joined other public officials and policy experts in town hall meetings across the country to gain support for Social Security reforms. He should also benefit from more modern participant selection and engagement strategies such as those employed by Stanford University's Center for Deliberative Democracy. President Obama needs to also use the bully pulpit of the presidency to create a sense of urgency. He needs to develop a clear and compelling framework that includes a set of principles and values that can bring people together rather than divide them. He needs to demonstrate a more humble leadership style that will allow him to successfully seek public input on a range of non-partisan solutions that have the potential to achieve bipartisan support. Finally, he needs to act as the Nation's CEO rather than the head of one of the two major political parties. Importantly, Congressional leaders from both parties must demonstrate their ability to put the interests of the country and our families above their party and also the various special interest groups to whom they often bow. Candidly, President Obama and Bush (43) have made a number of the same mistakes and the Congress has failed to provide appropriate checks and balances in a range of areas, including further expansions of government health care promises and periodic use of U.S. military forces for reasons other than clear and compelling U.S. national security interests.
- We need the media to play a more constructive role. Our democracy relies upon an informed citizenry, yet most media today is failing to deliver. Whether print, radio, television or online, our media outlets are too focused on slogans rather than substance, problems rather than solutions, and shout-fests rather than serious debates. Moreover, there is a journalistic preoccupation with “horse race politics,” such as who’s up or down in election polls. As a result, it is extremely difficult to get coverage of your views, no matter how worthy, if you are not running for office. Ross Perot injected concerns about our federal debt into the 1992 race, and received significant press attention, but primarily because he was a serious contender for the presidency. Paul Tsongas also got his fiscal views front and center in 1992, and Herman Cain did the same in 2012, because they entered the political arena and joined the presidential horse race. It shouldn’t take a run for office to engage journalists. It’s essential that the Fourth Estate inform the American people about the issues and ideas that matter most, and that they convey information in a fact-based, professional, and non-partisan manner.
- We need to fix our dysfunctional democracy. Today we have a republic that is neither representative of nor responsive to the general public. We must recognize that our political system needs to be reformed if we expect it to address our fiscal and other key sustainability challenges in a more timely and responsible manner. In my view, this will require such actions as redistricting reform, revisions to our current political primary system, more equitable and consistent ballot access requirements, campaign finance reform (including properly designed public financing approaches), and term limits. As I mentioned earlier, there is a heightened degree of public awareness and concern regarding our fiscal challenge, but the concern does not stop there. It extends to political reforms as well. I am aware of many established, as well as evolving groups, that are focused on achieving needed political reforms. The new Call-A-Convention non-profit is mounting a state-based effort to convene a “Clean Call” Constitutional Convention under Article V that would propose specific amendments to the U.S. Constitution for ratification by three-fourths of the states. Individuals involved with this group are pursuing this approach because they have understandably lost confidence in the ability of the Congress to address key fiscal, political, unfunded mandate, and other needed reforms through the normal and congressionally-led Constitutional amendment process.
- This leads to the biggest deficit our nation must address – its leadership deficit. While this nation had way more than its fair share of great political leaders at the beginning of the republic, it seems to have

way fewer than its fair share of great political leaders today. We have too much gridlock and laggardship, and not enough progress and true leadership in Washington and other capitals around the country. We must address this serious deficit. To do so, it will take both non-traditional leaders and systemic reforms of our political system in order to have more qualified people seek elected office. It's only a matter of time before a leader who is seeking elected office moves to fill this void.

- Last but not least, we need more independent minded Americans. Individuals who may or may not belong to a political party, but who use their judgment to decide what is best for today and tomorrow rather than being held hostage to the “party line” or rigid ideological factions. It is time for concerned citizens and a range of diverse groups to come together to focus on common concerns and things that can unite us rather than divide us. For example, it has become clear to me that both the Tea Party and the Occupy Movement are concerned about the lack of integrity, transparency, and accountability in our society. The Tea Party tends to focus on the government, while the Occupy Movement focuses on Wall Street and the Federal Reserve. They both have valid concerns. In my view, we can unite a significant majority of Americans based on a commitment to the Constitution, a set of timeless principles and values, and a range of specific economic and political reforms that can bring our country together and create a better future. The sooner this is done the better, because the failure to do so could threaten the republic and this grand experiment in personal liberty known as the United States of America.

While CAI, as an entity, will discontinue day-to-day operations at the close of business this Friday, September 20, CAI staff will continue to do their part to fight for fiscal responsibility. It will simply be from different places on the battlefield, and as for me, on a much more limited and targeted basis. All that we ask is that you do your part, too. While our debt clock is ticking and time is not working in our favor, please know that it's not too late. We can turn things around, and our country's and our families' future may depend on your efforts.

As CAI winds down, we must look to other organizations to carry on the day-to-day battle for our future. CAI has decided to give The Concord Coalition the Burden Barometer to help with their grassroots efforts. In addition, we will be providing cash contributions to The Concord Coalition, The Can Kicks Back, and the Institute for Truth in Accounting to help support their missions. Several of our staff are now working for other fiscal organizations. Mike Murphy has joined The Committee for a Responsible Federal Budget, and Rachel Vierling has joined The Can Kicks Back to work on their just initiated nationwide van tour. It will be her second nationwide fiscal tour in one year. Unfortunately for her, you don't get frequent traveler miles for bus and van tours!

Before closing, I would like to thank the distinguished members of CAI's Board of Directors and Advisory Council for their service, especially Mike Cook, who is Chairman of the Board. Several members of our Advisory Council are here today. I would also like to thank our donors, especially, Pete Peterson and the Peter G. Peterson Foundation, H. Ross Perot Sr., and Robert Rodriguez. I would also like to thank our external contractors, especially OnPoint Strategies. I would like to thank all of CAI's staff during the past three years, especially Kathleen Benanti, Mike Murphy, and Rachel Vierling, all of whom are here today. Last but not least, I would like to thank my wife, Mary, who allowed me to dedicate the time and engage in an extraordinary amount of travel during the past 10 years. Mary is also here today.

Finally, I mentioned that I had picked today to give this speech for several reasons. But I didn't mention a reason that is also very important. Today is the 226th anniversary of the signing of the U. S. Constitution - the greatest political document in the history of mankind. As a member of the Sons of the American Revolution who has ancestors who fought and died in the American Revolution, Constitution Day has special meaning for me and many other Americans.

In recognition that today is Constitution Day, I would suggest that it's time for our nation to focus on a few key fiscal and political reform concepts based on the Preamble to the our Constitution. Specifically, it's time for us to:

- FORM A MORE PERFECT UNION by returning to more of a Federalist system of government and by taking steps to make our republic more representative of and responsive to “We the People.”
- ESTABLISH JUSTICE by recognizing that the law represents the floor of acceptable behavior and by seeking to hold people accountable to higher ethical and moral standards, including holding policy makers accountable for the de-facto inter-generational theft caused by their current fiscal policies and path.
- INSURE DOMESTIC TRANQUILITY by putting our finances in order while addressing the growing gaps in society in a manner that does not punish success or discourage people from working toward their vision of the American Dream.
- PROVIDE FOR THE COMMON DEFENSE based on credible threats to our national security in an affordable and sustainable manner. In this regard, as I said on 60 Minutes in 2007, the greatest threat to our national security is our own fiscal irresponsibility.
- PROMOTE THE GENERAL WELFARE by facilitating economic growth to create more jobs, investing in our future, and maintaining a sound, sustainable and secure social safety net for those who are truly in need.
- SECURE THE BLESSINGS OF LIBERTY TO OURSELVES AND OUR POSTERITY by enforcing the Constitution, ensuring fiscal responsibility, and discharging our other stewardship responsibilities to future generations.

We can win the future if the first three words of the Constitution really come alive.

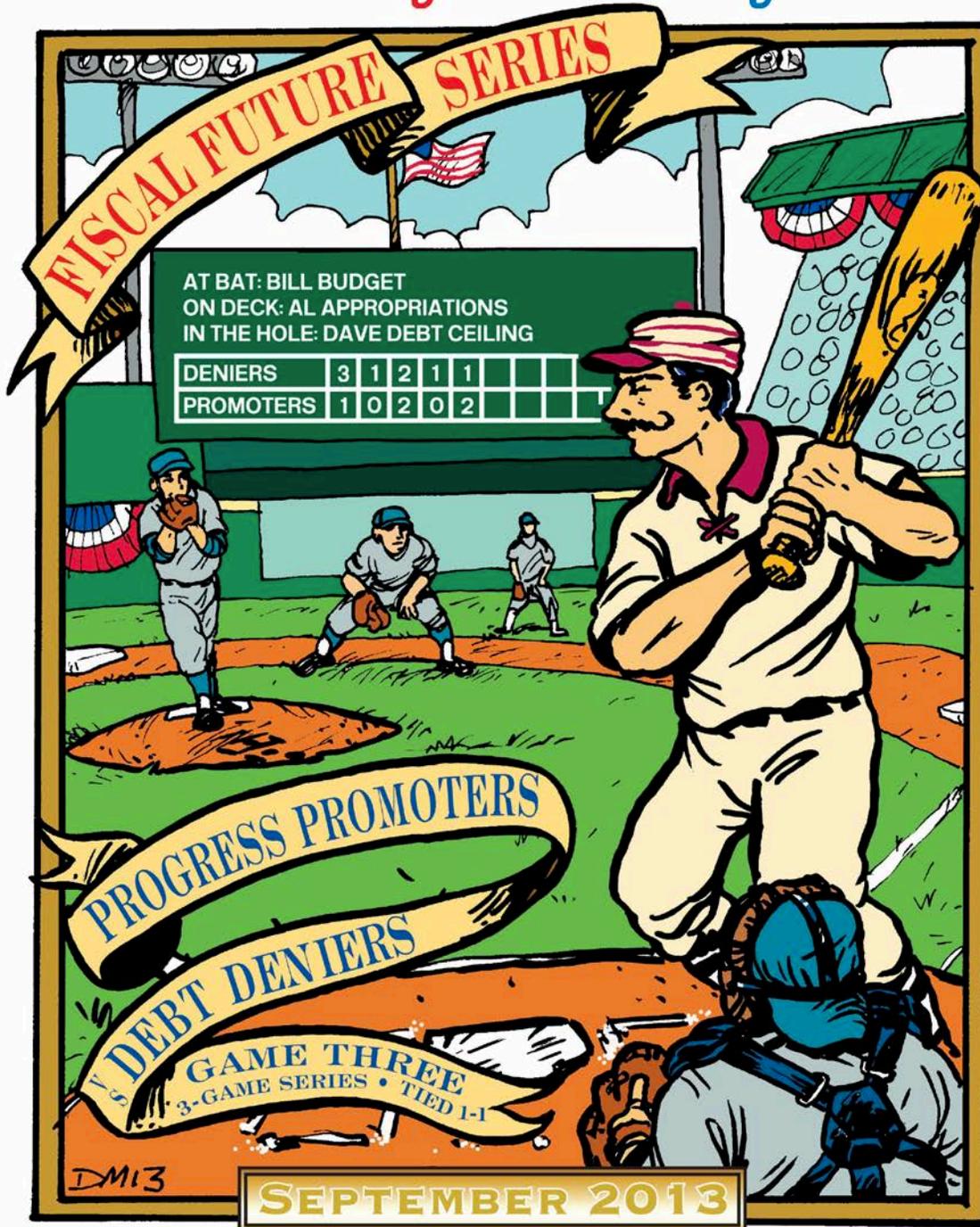
- “*We the People*” must speak the truth and the whole truth while also insisting that our elected officials do the same;
- “*We the People*” must demand that the vital transformational changes in our nation’s fiscal policy and political system take place to create a better future;
- “*We the People*” must take our civic responsibilities far more seriously than we have in recent years rather than rely on the often empty promises of those who have failed to act on our behalf in the past; and finally,
- “*We the People*” must hold our elected officials and all levels of government accountable for their failure to address the many large, known, and growing challenges facing this great nation.

For at the end of the day, “*We the People*” are responsible and accountable for what does or does not happen in the capitals around our great nation. If we don’t like the ways things are going, we have an opportunity and, indeed, an obligation to take action. “*We the People*” must recognize that ignorance and apathy are a toxic mix. Now is the time to “*secure the blessings of Liberty to ourselves and our posterity.*” We all have a role to play, and with a renewed commitment to unite our efforts, we can work to fulfill our duty to “*form a more perfect Union*” for our country and for our families.

Thank you again for joining me, and Happy Constitution Day.

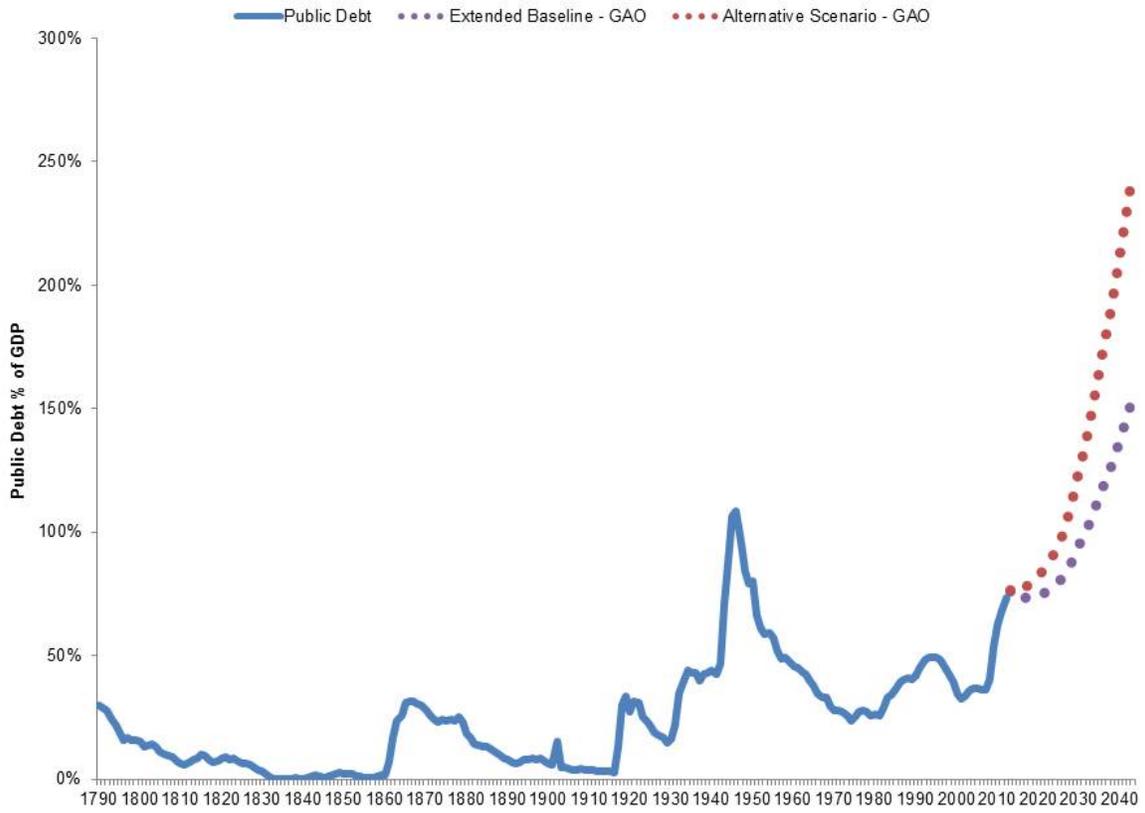
I would be happy to answer any questions that you may have.

America's Deciding Game: Winning the Future



Attachment B

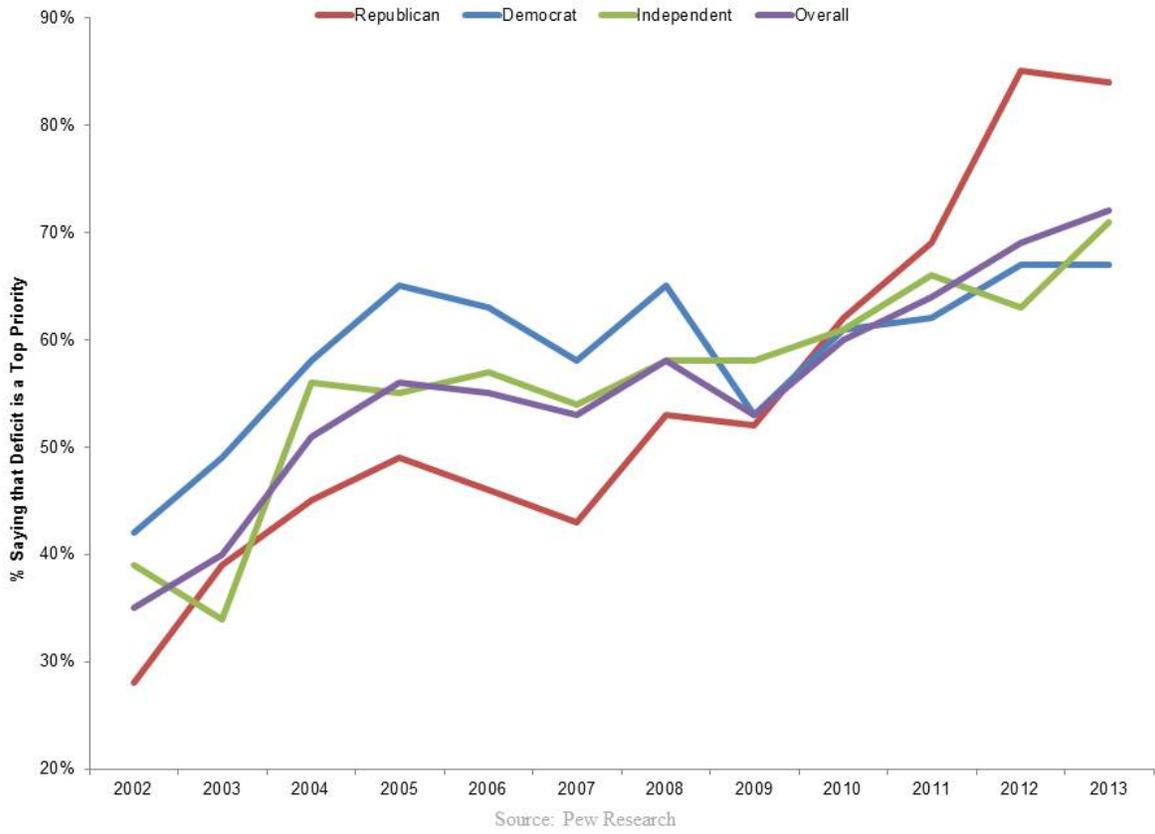
U.S. Federal Government Debt/GDP - Historical and Projected



Source: GAO & CBO

Attachment C

Percent Saying Deficit is a Top Priority



Attachment D

